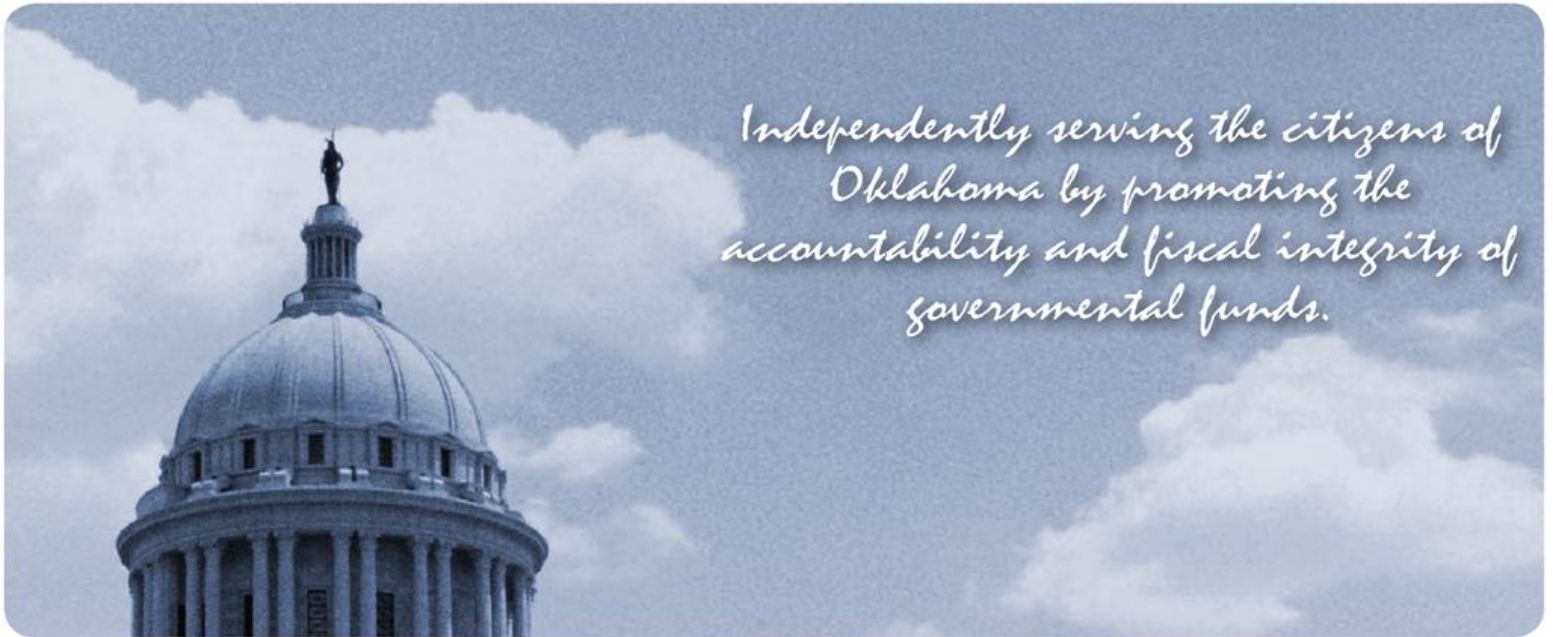


COUNTY AUDIT

# CARTER COUNTY

For the fiscal year ended June 30, 2014



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**CARTER COUNTY, OKLAHOMA  
FINANCIAL STATEMENT  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 171, has not been printed, but is available on the agency's website ([www.sai.ok.gov](http://www.sai.ok.gov)) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

February 18, 2016

TO THE CITIZENS OF  
CARTER COUNTY, OKLAHOMA

Transmitted herewith is the audit of Carter County, Oklahoma for the fiscal year ended June 30, 2014. The audit was conducted in accordance with 19 O.S. § 171.

A report of this type can be critical in nature. Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**CARTER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**TABLE OF CONTENTS**

INTRODUCTORY SECTION (Unaudited)

|  |      |
|--|------|
| Statistical Information.....                   | iii  |
| County Officials.....                          | iv   |
| Ad Valorem Tax Distribution.....               | v    |
| Sales Tax Distribution.....                    | vi   |
| Assessed Value of Property Trend Analysis..... | vii  |
| County Payroll Expenditures Analysis.....      | viii |
| County General Fund Analysis.....              | ix   |
| County Highway Fund Analysis.....              | x    |

FINANCIAL SECTION

|  |   |
|--|---|
| Report of State Auditor and Inspector.....   | 1 |
| Financial Statement:   |   |
| Statement of Receipts, Disbursements, and Changes in Cash Balances—Regulatory Basis<br>(with Combining Information)—Major Funds..... | 4 |
| Notes to the Financial Statement.....  | 5 |

OTHER SUPPLEMENTARY INFORMATION

|  |    |
|--|----|
| Comparative Schedule of Receipts, Expenditures, and Changes in<br>Cash Balances—Budget and Actual—Budgetary Basis—General Fund.....                  | 10 |
| Comparative Schedule of Receipts, Expenditures, and Changes in<br>Cash Balances—Budget and Actual—Budgetary Basis—County Health Department Fund..... | 11 |
| Combining Statement of Receipts, Disbursements, and Changes in<br>Cash Balances—Regulatory Basis—Remaining Aggregate Funds.....                      | 12 |
| Notes to Other Supplementary Information.....  | 13 |

**CARTER COUNTY, OKLAHOMA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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INTERNAL CONTROL AND COMPLIANCE SECTION

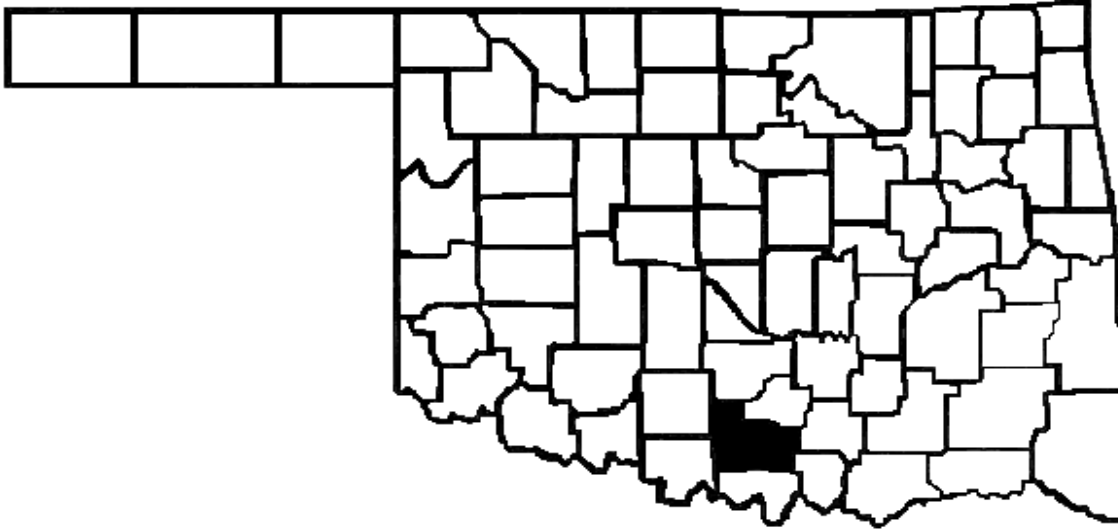
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards*..... 15

Schedule of Findings and Responses..... 17

**INTRODUCTORY SECTION  
UNAUDITED INFORMATION ON PAGES iii - x  
PRESENTED FOR INFORMATIONAL PURPOSES ONLY**

**CARTER COUNTY, OKLAHOMA  
STATISTICAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Carter County was formerly a part of Pickens County, Chickasaw Nation, Indian Territory. Named for a prominent early-day family, the county ranges from hilly, rugged terrain in the north, exemplified by the Arbuckle Mountains, to rolling plains with productive oil fields in the south.

Ardmore, the county seat, located midway between Dallas and Oklahoma City on Interstate 35, is the site of the Michelin North America Tire Plant, Ardmore Higher Education Center, Southern Oklahoma Technology Center, and the Noble Foundation. The Joe Brown Co., Ultimar Diamond Shamrock, Bluebonnet Milling Co., Sunshine Industries, and major distribution centers for Best Buy and Dollar General are also located in Ardmore.

Healdton, located in western Carter County, was the site of the Healdton Field which, at its peak in 1916, produced an estimated 95,000 barrels of crude oil per day.

Lake Murray Resort, located seven miles south of Ardmore, offers recreational and conference facilities on a year-round basis. For additional county information, call the county clerk's office at 580/223-8162.

County Seat – Ardmore

Area – 833.72 Square Miles

County Population – 48,085  
(2012 est.)

Farms – 1,426

Land in Farms – 402,831 Acres

Primary Source: Oklahoma Almanac 2013-2014

**CARTER COUNTY OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Board of County Commissioners**

District 1 – Joe David McReynolds  
District 2 – Kevin Robinson  
District 3 – Dale Ott

**County Assessor**

Kim Cain

**County Clerk**

Cynthia Harmon

**County Sheriff**

Milton Anthony

**County Treasurer**

Marsha Collins

**Court Clerk**

Karen Dunn

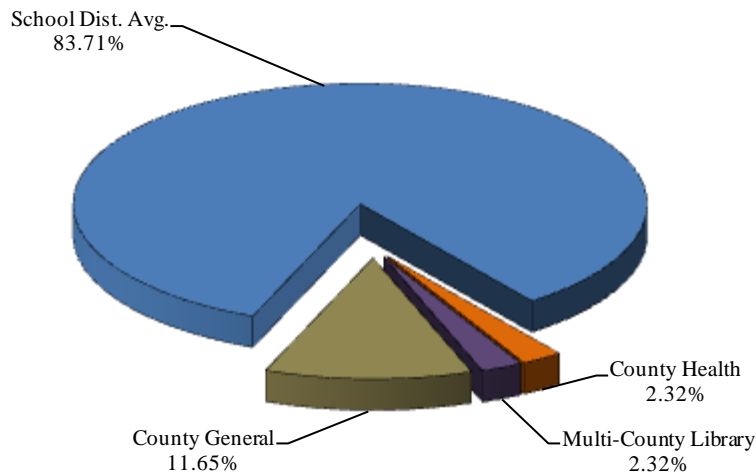
**District Attorney**

Craig Ladd



**CARTER COUNTY, OKLAHOMA  
AD VALOREM TAX DISTRIBUTION  
SHARE OF THE AVERAGE MILLAGE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Property taxes are calculated by applying a millage rate to the assessed valuation of property. Millage rates are established by the Oklahoma Constitution. One mill equals one-thousandth of a dollar. For example, if the assessed value of a property is \$1,000.00 and the millage rate is 1.00, then the tax on that property is \$1.00. This chart shows the different entities of the County and their share of the various millages as authorized by the Constitution.



| County-Wide Millages      |       | School District Millages |      |       |       |       |                |        |       |
|---------------------------|-------|--------------------------|------|-------|-------|-------|----------------|--------|-------|
|                           |       |                          |      | Gen.  | Bldg. | Skg.  | Career<br>Tech | Common | Total |
| County General            | 10.32 |                          |      |       |       |       |                |        |       |
| County Health             | 2.06  | Ardmore                  | I-19 | 35.83 | 5.12  | -     | 15.06          | 4.13   | 60.14 |
| Multi-County Library      | 2.06  | Springer                 | I-21 | 36.04 | 5.15  | 12.25 | 15.06          | 4.13   | 72.63 |
|                           |       | Plainview                | I-27 | 35.80 | 5.11  | 15.59 | 15.06          | 4.13   | 75.69 |
|                           |       | Lone Grove               | I-32 | 36.82 | 5.26  | 29.23 | 15.06          | 4.13   | 90.50 |
| <u>Cities &amp; Towns</u> |       | Wilson                   | I-43 | 37.04 | 5.29  | 27.61 | 15.06          | 4.13   | 89.13 |
| Ardmore Sinking           | 1.05  | Healdton                 | I-55 | 36.74 | 5.25  | 19.24 | 15.06          | 4.13   | 80.42 |
|                           |       | Zaneis                   | I-72 | 36.42 | 5.20  | -     | 15.06          | 4.13   | 60.81 |
| <u>Other</u>              |       | Fox                      | I-74 | 36.18 | 5.17  | 13.50 | 15.06          | 4.13   | 74.04 |
| EMS SD 43, 55, 72, 74     | 3.25  | Dickson                  | I-77 | 37.20 | 5.31  | 16.07 | 15.06          | 4.13   | 77.77 |
|                           |       | Murray County            | I-10 | 35.94 | 5.13  | 9.51  | 15.06          | 4.13   | 69.77 |
|                           |       | Stephens County          | I-15 | 37.33 | 5.33  | 4.31  | 12.80          | 4.13   | 63.90 |
|                           |       | Johnston County          | C-7  | 35.53 | 5.08  | 15.58 | 15.06          | 4.13   | 75.38 |

**CARTER COUNTY, OKLAHOMA  
SALES TAX DISTRIBUTION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## Sales Tax

### Sales Tax of November 2, 1999

The voters of Carter County approved a 1/4 of 1% sales tax effective November 2, 1999. This sales tax does not expire. The sales tax was established to provide revenue for County Roads, Bridges, and Equipment; County General; and Law Enforcement. These funds are accounted for in the Sales Tax Revolving Fund.

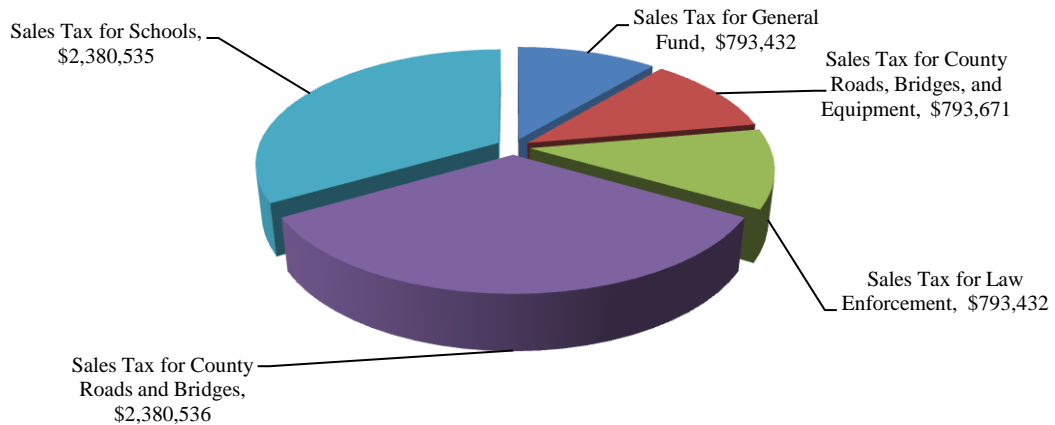
### Sales Tax of November 6, 2012

The voters of Carter County approved a 1/4 of 1% sales tax effective November 6, 2012 for the purpose of providing funds for construction, reconstruction, maintenance, repair, or improvement of County roads and bridges within said County. This sales tax shall terminate within 5 years from its effective date. These funds are accounted for in the Sales Tax Revolving Fund.

### Sales Tax of November 6, 2012

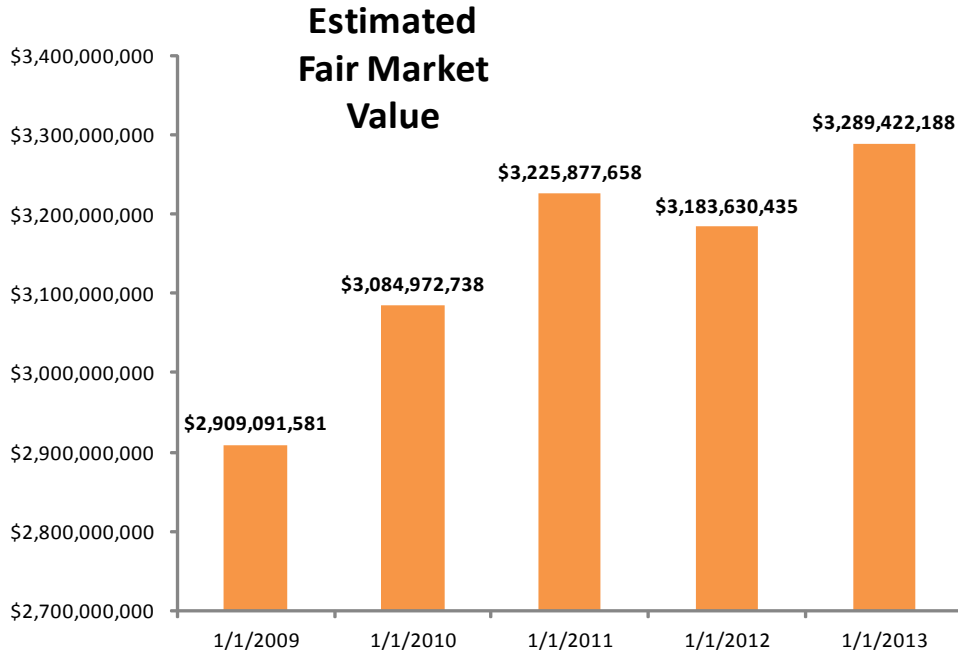
The voters of Carter County approved a 1/4 of 1% sales tax effective November 6, 2012 for the purpose of providing funds for technology equipment, and instructional and classroom materials for all common school districts wholly located within said Carter County, with proceeds allocated to the school districts based upon the average daily attendance (ADA) of those school districts wholly located within Carter County, as reported by the Oklahoma State Department of Education. This sales tax shall terminate within 5 years from its effective date. These funds are apportioned into the Sales Tax Revolving Fund, and then a warrant is issued to each school for their portion of the sales tax. These expenditures are not required, and do not follow the County Purchasing Act. The schools' independent audit is required to verify if funds are expended in accordance with the sales tax ballot.

During the fiscal year the County collected \$7,141,606 in total sales tax.



**CARTER COUNTY, OKLAHOMA  
 ASSESSED VALUE OF PROPERTY  
 TREND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

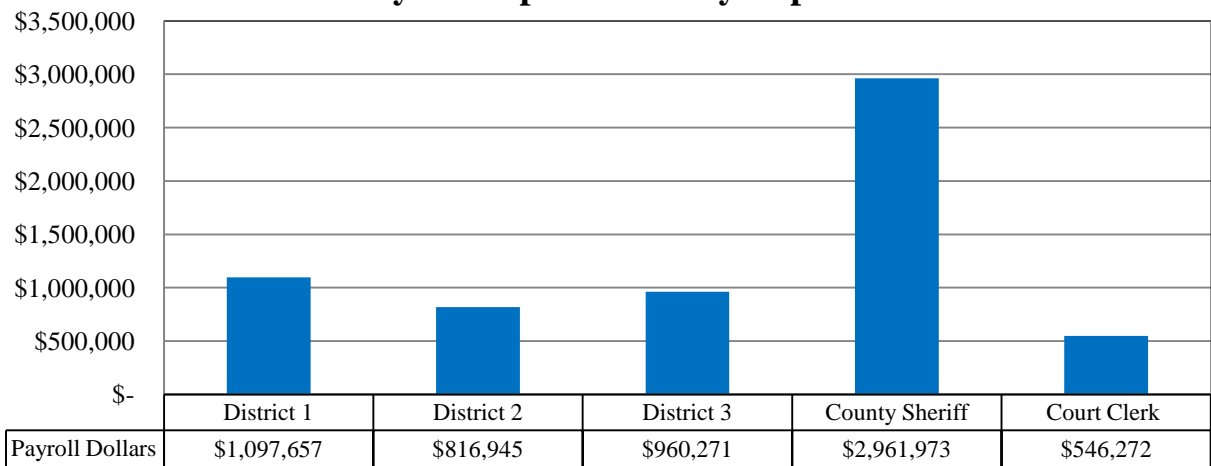
| Valuation Date | Personal      | Public Service | Real Estate   | Homestead Exemption | Net Value     | Estimated Fair Market Value |
|----------------|---------------|----------------|---------------|---------------------|---------------|-----------------------------|
| 1/1/2013       | \$145,444,595 | \$52,252,170   | \$221,845,103 | \$12,864,830        | \$406,677,038 | \$3,289,422,188             |
| 1/1/2012       | \$117,485,461 | \$54,110,676   | \$236,133,206 | \$13,118,245        | \$394,611,098 | \$3,183,630,435             |
| 1/1/2011       | \$129,210,147 | \$51,361,491   | \$230,921,960 | \$12,951,838        | \$398,541,760 | \$3,225,877,658             |
| 1/1/2010       | \$121,145,457 | \$47,175,517   | \$224,276,383 | \$12,862,797        | \$379,734,560 | \$3,084,972,738             |
| 1/1/2009       | \$109,721,122 | \$45,933,536   | \$215,247,223 | \$11,759,716        | \$359,142,165 | \$2,909,091,581             |



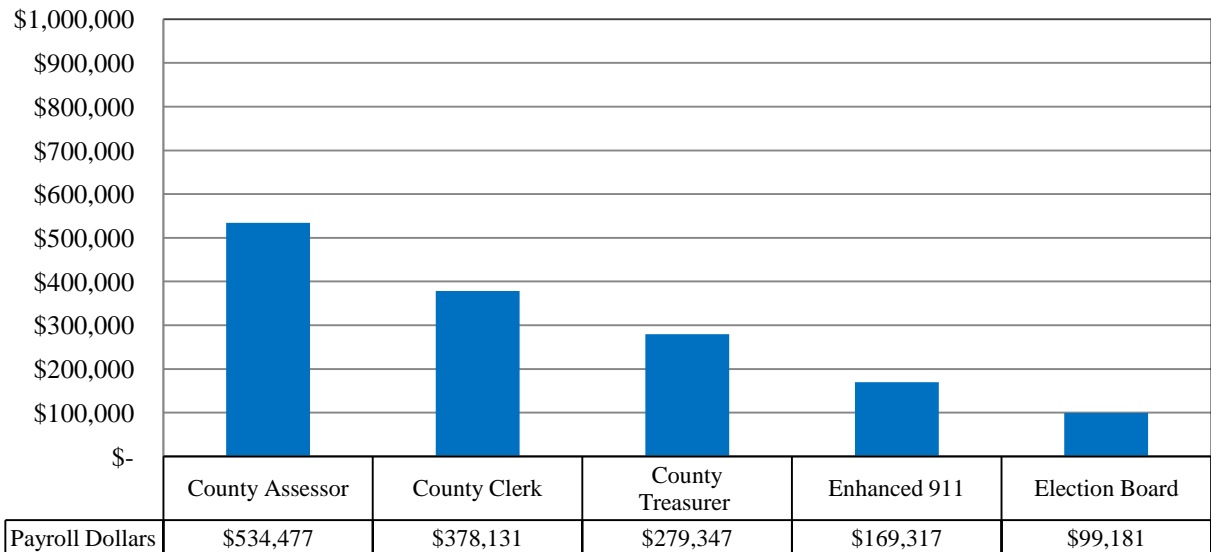
**CARTER COUNTY, OKLAHOMA  
COUNTY PAYROLL EXPENDITURES ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

County officers' salaries are based upon the assessed valuation and population of the counties. State statutes provide guidelines for establishing elected officers' salaries. The Board of County Commissioners sets the salaries for all elected county officials within the limits set by the statutes. The designated deputy or assistant's salary cannot exceed the principal officer's salary. Salaries for other deputies or assistants cannot exceed the principal officer's salary. The information presented below is for the fiscal year ended June 30, 2013.

**Payroll Expenditures by Department**



**Payroll Expenditures by Department**

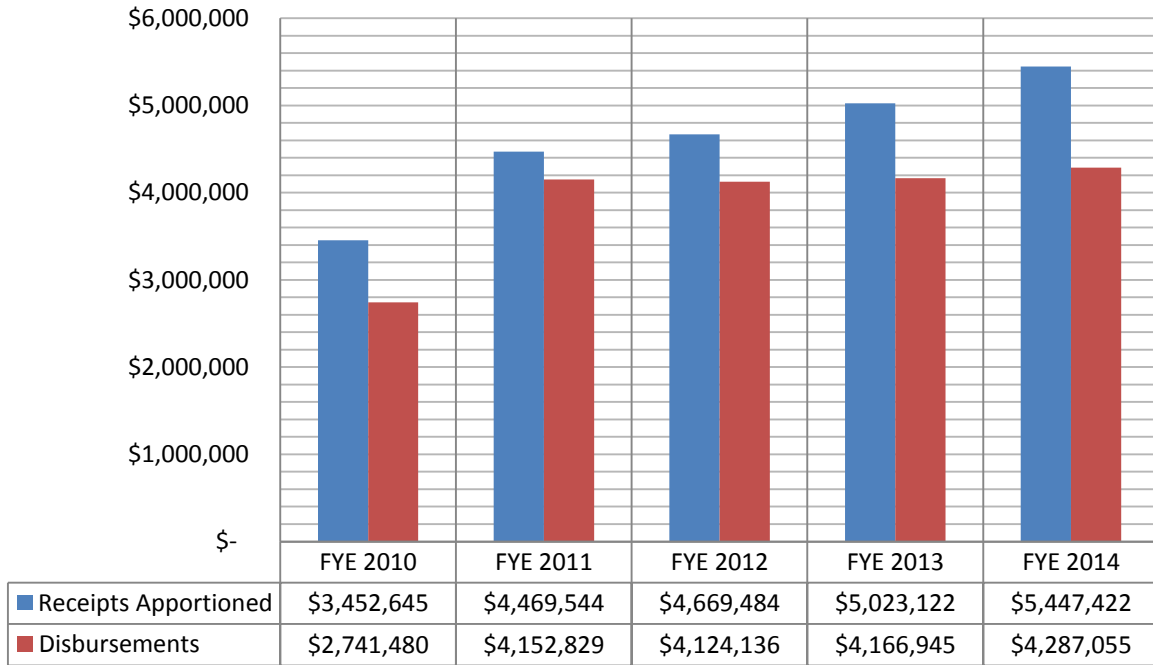


**CARTER COUNTY, OKLAHOMA  
COUNTY GENERAL FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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## County General Fund

The Oklahoma Constitution and the Oklahoma Statutes authorize counties to create a County General Fund, which is the county's primary source of operating revenue. The County General Fund is typically used for county employees' salaries plus many expenses for county maintenance and operation. It also provides revenue for various budget accounts and accounts that support special services and programs. The Board of County Commissioners must review and approve all expenditures made from the County General Fund. The primary revenue source for the County General Fund is usually the county's ad valorem tax collected on real, personal (if applicable), and public service property. Smaller amounts of revenue can come from other sources such as fees, sales tax, use tax, state transfer payments, in-lieu taxes, and reimbursements. The chart below summarizes receipts and disbursements of the County's General Fund for the last five fiscal years.

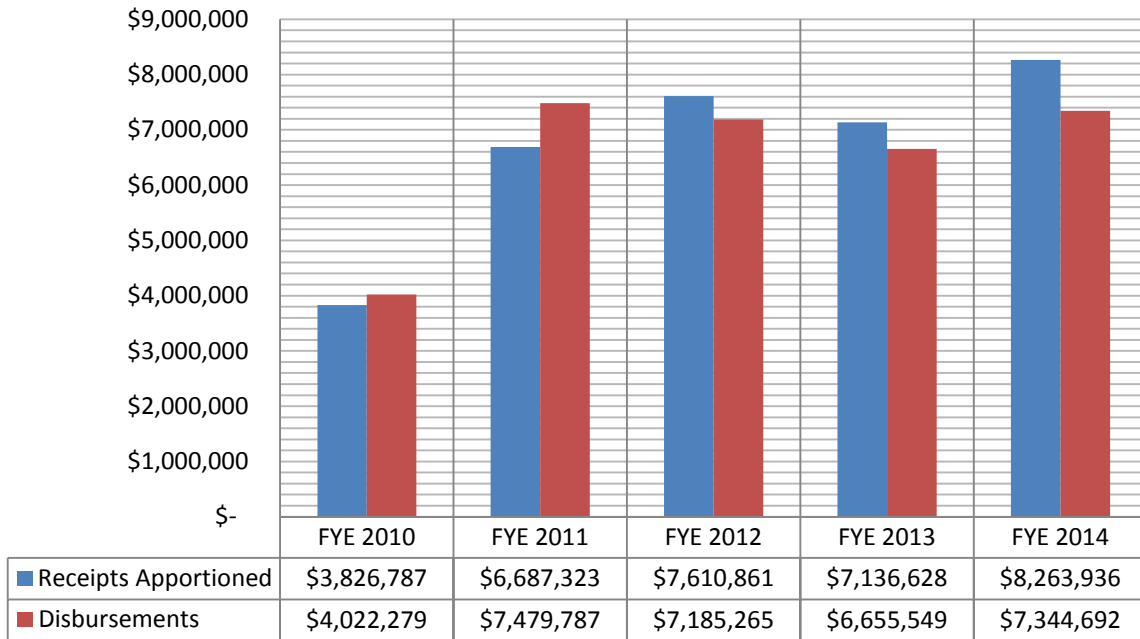


**CARTER COUNTY, OKLAHOMA  
COUNTY HIGHWAY FUND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

## County Highway Fund

The County receives major funding for roads and highways from a state imposed fuel tax. Taxes are collected by the Oklahoma Tax Commission. Taxes are imposed on all gasoline, diesel, and special fuel sales statewide. The County's share is determined on formulas based on the County population, road miles, and land area and is remitted to the County monthly. These funds are earmarked for roads and highways only and are accounted for in the County Highway Fund. The chart below summarizes receipts and disbursements of the County's Highway Fund for the last five fiscal years.



## **FINANCIAL SECTION**



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## Independent Auditor's Report

TO THE OFFICERS OF  
CARTER COUNTY, OKLAHOMA

### *Report on the Financial Statement*

We have audited the combined total—all county funds on the accompanying regulatory basis Statement of Receipts, Disbursements, and Changes in Cash Balances of Carter County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statement, which collectively comprise the County's basic financial statement as listed in the table of contents.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the regulatory basis of accounting described in Note 1, and for determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the financial statement is prepared by Carter County using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Carter County as of June 30, 2014, or changes in its financial position for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined total of receipts, disbursements, and changes in cash balances for all county funds of Carter County, for the year ended June 30, 2014, in accordance with basis of accounting described in Note 1.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the combined total of all county funds on the financial statement. The Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement.

The Other Supplementary Information, as listed in the table of contents, is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the combined total—all county funds.

The information listed in the table of contents under Introductory Section has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2016, on our consideration of Carter County’s internal control over financial reporting and on our tests of

its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Carter County's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

February 16, 2016

**REGULATORY BASIS FINANCIAL STATEMENT**

**CARTER COUNTY, OKLAHOMA**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGES IN CASH BALANCES—REGULATORY BASIS**  
**(WITH COMBINING INFORMATION)—MAJOR FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

|  | Beginning<br>Cash Balances<br>July 1, 2013 | Receipts<br>Apportioned | Transfers<br>In | Transfers<br>Out | Disbursements        | Ending<br>Cash Balances<br>June 30, 2014 |
|--|--|-------------------------|-----------------|------------------|----------------------|--|
| Combing Information:                     |  |                         |                 |                  |                      |  |
| Major Funds:                             |  |                         |                 |                  |                      |  |
| County General Fund                      | \$ 3,095,982                               | \$ 5,447,422            | \$ -            | \$ -             | \$ 4,287,055         | \$ 4,256,349                             |
| T-Highway                                | 5,625,078                                  | 8,263,936               | -               | -                | 7,344,692            | 6,544,322                                |
| Sales Tax Revolving Fund                 | 5,702,828                                  | 8,624,415               | -               | -                | 6,181,821            | 8,145,422                                |
| County Health                            | 737,306                                    | 951,457                 | -               | -                | 1,230,844            | 457,919                                  |
| Resale Property                          | 557,492                                    | 288,767                 | 3,975           | -                | 197,278              | 652,956                                  |
| Fire Department Sales Tax                | 2,597,377                                  | 1,291                   | -               | -                | 203,737              | 2,394,931                                |
| Sheriff Special Fee Account              | 156,894                                    | 244,742                 | -               | -                | 220,045              | 181,591                                  |
| County Sinking                           | 3,472                                      | -                       | -               | -                | -                    | 3,472                                    |
| FEMA                                     | 39,240                                     | 61,536                  | -               | -                | 11,874               | 88,902                                   |
| CBRIF County Bridge & Road               | 2,830,118                                  | 773,749                 | -               | -                | 2,561,471            | 1,042,396                                |
| Remaining Aggregate Funds                | 2,084,007                                  | 1,539,852               | -               | -                | 1,334,539            | 2,289,320                                |
| <b>Combined Total - All County Funds</b> | <b>\$ 23,429,794</b>                       | <b>\$ 26,197,167</b>    | <b>\$ 3,975</b> | <b>\$ -</b>      | <b>\$ 23,573,356</b> | <b>\$ 26,057,580</b>                     |

The notes to the financial statement are an integral part of this statement.

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Carter County is a subdivision of the State of Oklahoma created by the Oklahoma Constitution and regulated by Oklahoma Statutes.

The accompanying financial statement presents the receipts, disbursements, and changes in cash balances of the total of all funds under the control of the primary government. The general fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund, where its use is restricted for a specified purpose. Other funds established by statute and under the control of the primary government are also presented.

The County Treasurer collects and remits material amounts of intergovernmental revenues and ad valorem tax revenue for other budgetary entities, including emergency medical districts, libraries, school districts, and cities and towns. The cash receipts and disbursements attributable to those other entities do not appear in funds on the County's financial statement; those funds play no part in the County's operations. Any trust or agency funds maintained by the County are not included in this presentation.

**B. Fund Accounting**

The County uses funds to report on receipts, disbursements, and changes in cash balances. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Following are descriptions of the county funds included as combining information within the financial statement:

County General Fund – accounts for the general operations of the government.

T-Highway – accounts for state, local, and miscellaneous receipts and disbursements are for the purpose of constructing and maintaining county roads and bridges.

Sales Tax Revolving Fund – accounts for the collection of sales tax revenue and the disbursement of funds as restricted by the sales tax resolution.

County Health – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

Resale Property – accounts for monies collected on behalf of the county health department from ad valorem taxes and state and local revenues.

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Fire Department Sales Tax – accounts for the collection of sales tax to be disbursed for the Carter County fire departments.

Sheriff Special Fee Account – revenues are from fees charged for serving summons and notices, and for processing services of the Sheriff’s office. Disbursements are for any lawful expense of the Sheriff’s office.

County Sinking – accounts for monies collected from ad valorem taxes for payment of bonds or judgments against the County. The County has no long-term debt and this balance will eventually be transferred to the General Fund.

FEMA – accounts for the collection of grant monies passed through the Oklahoma Department of Emergency Management and disbursed as restricted by the grant agreement.

CBRIF County Bridge & Road – accounts for County Commissioners’ bridge and road funds and disbursements are for bridge and road projects.

**C. Basis of Accounting**

The financial statement is prepared on a basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. This regulatory basis financial presentation is not a comprehensive measure of economic condition or changes therein.

Title 19 O.S. § 171 specifies the format and presentation for Oklahoma counties to present their financial statement in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or on a regulatory basis. The County has elected to present their financial statement on a regulatory basis in conformity with Title 19 O.S. § 171. County governments (primary only) are required to present their financial statements on a fund basis format with, at a minimum, the general fund and all other county funds, which represent ten percent or greater of total county revenue. All other funds included in the audit shall be presented in the aggregate in a combining statement.

**D. Budget**

Under current Oklahoma Statutes, a general fund and a county health department fund are the only funds required to adopt a formal budget. On or before the first Monday in July of each year, each officer or department head submits an estimate of needs to the governing body. The budget is approved for the respective fund by office, or department and object. The County Board of Commissioners may approve changes of appropriations within the fund by office or department and object. To increase or decrease the budget by fund requires approval by the County Excise Board.

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**E. Cash and Investments**

For the purposes of financial reporting, "Ending Cash Balances, June 30" includes cash and cash equivalents and investments as allowed by statutes. The County pools the cash of its various funds in maintaining its bank accounts. However, cash applicable to a particular fund is readily identifiable on the County's books. The balance in the pooled cash accounts is available to meet current operating requirements.

State statutes require financial institutions with which the County maintains funds to deposit collateral securities to secure the County's deposits. The amount of collateral securities to be pledged is established by the County Treasurer; this amount must be at least the amount of the deposit to be secured, less the amount insured (by, for example, the FDIC).

The County Treasurer has been authorized by the County's governing board to make investments. Allowable investments are outlined in statutes 62 O.S. § 348.1 and § 348.3.

All investments must be backed by the full faith and credit of the United States Government, the Oklahoma State Government, fully collateralized, or fully insured. All investments as classified by state statute are nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are not subject to interest rate risk or credit risk.

**2. Ad Valorem Tax**

The County's property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board. Title 68 O.S. § 2820.A. states, ". . . Each assessor shall thereafter maintain an active and systematic program of visual inspection on a continuous basis and shall establish an inspection schedule which will result in the individual visual inspection of all taxable property within the county at least once each four (4) years."

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year.

**3. Other Information**

**A. Pension Plan**

Plan Description. The County contributes to the Oklahoma Public Employees Retirement Plan (the Plan), a cost-sharing, multiple-employer defined benefit pension plan administered by the

**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Oklahoma Public Employees Retirement System (OPERS). Benefit provisions are established and amended by the Oklahoma Legislature. The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. Title 74, Sections 901 through 943, as amended, establishes the provisions of the Plan. OPERS issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing OPERS, P.O. Box 53007, Oklahoma City, Oklahoma 73105 or by calling 1-800-733-9008.

Funding Policy. The contribution rates for each member category are established by the Oklahoma Legislature and are based on an actuarial calculation which is performed to determine the adequacy of contribution rates.

**B. Other Post Employment Benefits (OPEB)**

In addition to the pension benefits described in the Pension Plan note, OPERS provides post-retirement health care benefits of up to \$105 each for retirees who are members of an eligible group plan. These benefits are funded on a pay-as-you-go basis as part of the overall retirement benefit. OPEB expenditure and participant information is available for the state as a whole; however, information specific to the County is not available nor can it be reasonably estimated.

**C. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, the County expects such amounts, if any, to be immaterial.

As of the end of the fiscal year, there were no claims or judgments that would have a material adverse effect on the financial condition of the County; however, the outcome of any lawsuit would not be determinable.

**D. Sales Tax**

The voters of Carter County approved a 1/4 of 1% sales tax effective November 2, 1999. This sales tax does not expire. The sales tax was established to provide revenue for the following: 33.34% County Roads, Bridges, and Equipment; 33.33% County General; and 33.33% Law Enforcement. These funds are accounted for in the Sales Tax Revolving Fund.

The voters of Carter County also approved a 1/4 of 1% sales tax on July 25, 2006 to be apportioned among the fire departments or districts as follows: Ardmore, Ardmore Air Park, Criner Hills, Dickson, Dillard, Fox-Graham, Gene Autry, Healdton, Lone Grove, Ratliff City, Sneed, Springer, Wilson, and Woodford. The sales tax expired on December 31, 2011. These funds are accounted for in the Fire Department Sales Tax fund.



**CARTER COUNTY, OKLAHOMA  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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The voters of Carter County approved a 1/4 of 1% sales tax effective November 6, 2012 for the purpose of providing funds for construction, reconstruction, maintenance, repair, or improvement of County roads and bridges within said County. This sales tax shall terminate within 5 years from its effective date. These funds are accounted for in the Sales Tax Revolving Fund.

The voters of Carter County approved a 1/4 of 1% sales tax effective November 6, 2012 for the purpose of providing funds for technology equipment, and instructional and classroom materials for all common school districts wholly located within said Carter County, with proceeds allocated to the school districts based upon the average daily attendance (ADA) of those school districts wholly located within Carter County, as reported by the Oklahoma State Department of Education. This sales tax shall terminate within 5 years from its effective date. These funds are apportioned into the Sales Tax Revolving Fund, and then a warrant is issued to each school for their portion of the sales tax. These expenditures are not required, and do not follow the County Purchasing Act. The schools' independent audit is required to verify if funds are expended in accordance with the sales tax ballot.

**E. Interfund Transfers**

During the fiscal year, the County made the following transfers between cash funds.

- \$3,975 was transferred from the Excess Resale Fund (a trust and agency fund) into the Resale Property fund in accordance with 68 O.S. § 3131(C).

**OTHER SUPPLEMENTARY INFORMATION**

**CARTER COUNTY, OKLAHOMA**  
**COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND**  
**CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

|   | General Fund     |                     |                     |
|---|------------------|---------------------|---------------------|
|   | Budget           | Actual              | Variance            |
| Beginning Cash Balances   | \$ 3,095,982     | \$ 3,095,982        | \$ -                |
| Less: Prior Year Outstanding Warrants   | (101,374)        | (101,374)           | -                   |
| Less: Prior Year Encumbrances   | (7,222)          | (7,138)             | 84                  |
| Beginning Cash Balances, Budgetary Basis  | <u>2,987,386</u> | <u>2,987,470</u>    | <u>84</u>           |
| Receipts:   |                  |                     |                     |
| Ad Valorem Taxes  | 3,815,370        | 3,622,106           | (193,264)           |
| Sales Tax   | -                | 478,803             | 478,803             |
| Charges for Services  | -                | 365,230             | 365,230             |
| Intergovernmental Revenues  | -                | 900,587             | 900,587             |
| Miscellaneous Revenues  | -                | 80,696              | 80,696              |
| Total Receipts, Budgetary Basis   | <u>3,815,370</u> | <u>5,447,422</u>    | <u>1,632,052</u>    |
| Expenditures:   |                  |                     |                     |
| District Attorney - State   | 30,000           | 26,516              | 3,484               |
| District Attorney - County  | 5,000            | 4,999               | 1                   |
| County Sheriff  | 2,117,582        | 1,930,251           | 187,331             |
| County Treasurer  | 169,448          | 162,501             | 6,947               |
| County Commissioners  | 35,003           | 29,296              | 5,707               |
| County Commissioners OSU Extension  | 95,129           | 91,017              | 4,112               |
| County Clerk  | 434,460          | 388,038             | 46,422              |
| Court Clerk   | 367,056          | 351,629             | 15,427              |
| County Assessor   | 133,633          | 133,070             | 563                 |
| Revaluation of Real Property  | 557,307          | 477,653             | 79,654              |
| General Government  | 2,595,988        | 531,746             | 2,064,242           |
| Excise-Equalization Board   | 5,101            | 3,422               | 1,679               |
| County Election Board   | 103,419          | 102,667             | 752                 |
| County Audit Budget Account   | 43,430           | 43,430              | -                   |
| County Cemetary Account   | 5,200            | 4,400               | 800                 |
| Free Fair Budget Account  | 5,000            | 5,000               | -                   |
| Free Fair Improvement Account   | 100,000          | -                   | 100,000             |
| Total Expenditures, Budgetary Basis   | <u>6,802,756</u> | <u>4,285,635</u>    | <u>2,517,121</u>    |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures, Budgetary Basis    | <u>\$ -</u>      | 4,149,257           | <u>\$ 4,149,257</u> |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                  |                     |                     |
| Add: Current Year Outstanding Warrants  |                  | 97,136              |                     |
| Add: Current Year Encumbrances  |                  | 9,956               |                     |
| Ending Cash Balance   |                  | <u>\$ 4,256,349</u> |                     |

**CARTER COUNTY, OKLAHOMA  
COMPARATIVE SCHEDULE OF RECEIPTS, EXPENDITURES, AND  
CHANGES IN CASH BALANCES—BUDGET AND ACTUAL—BUDGETARY BASIS—  
COUNTY HEALTH DEPARTMENT FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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|   | County Health Department Fund |            |            |
|---|-------------------------------|------------|------------|
|   | Budget                        | Actual     | Variance   |
| Beginning Cash Balances   | \$ 737,306                    | \$ 737,306 | \$ -       |
| Less: Prior Year Outstanding Warrants   | (16,741)                      | (16,741)   | -          |
| Less: Prior Year Encumbrances   | (330,296)                     | (292,735)  | 37,561     |
| Beginning Cash Balances, Budgetary Basis  | 390,269                       | 427,830    | 37,561     |
| Receipts:   |                               |            |            |
| Ad Valorem Taxes  | 761,595                       | 723,017    | 38,578     |
| Charges for Services  | 247,542                       | 83,869     | 163,673    |
| Intergovernmental Revenues  | -                             | 115,284    | (115,284)  |
| Miscellaneous Revenues  | -                             | 29,287     | (29,287)   |
| Total Receipts, Budgetary Basis   | 1,009,137                     | 951,457    | (57,680)   |
| Expenditures:   |                               |            |            |
| Health and Welfare  | 1,399,406                     | 1,027,158  | 372,248    |
| Total Expenditures, Budgetary Basis   | 1,399,406                     | 1,027,158  | 372,248    |
| Excess of Receipts and Beginning Cash<br>Balances Over Expenditures,<br>Budgetary Basis | \$ -                          | 352,129    | \$ 352,129 |
| Reconciliation to Statement of Receipts,<br>Disbursements, and Changes in Cash Balances |                               |            |            |
| Add: Cancelled Warrants   |                               | 490        |            |
| Add: Current Year Encumbrances  |                               | 102,875    |            |
| Add: Current Year Outstanding Warrants  |                               | 2,425      |            |
| Ending Cash Balance   |                               | \$ 457,919 |            |

**CARTER COUNTY, OKLAHOMA  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES—REGULATORY BASIS—  
REMAINING AGGREGATE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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|   | Beginning<br>Cash Balances<br>July 1, 2013 | Receipts<br>Apportioned | Disbursements       | Ending<br>Cash Balances<br>June 30, 2014 |
|---|--|-------------------------|---------------------|--|
| <b>Remaining Aggregate Funds:</b>                 |  |                         |                     |  |
| Sheriff Board of Prisoners                        | \$ 510,489                                 | \$ 975,364              | \$ 837,396          | \$ 648,457                               |
| Assessor Revolving                                | 26,865                                     | 6,873                   | 20,501              | 13,237                                   |
| County Clerk Mechanic Liens                       | 326,379                                    | 108,951                 | 22,683              | 412,647                                  |
| Sheriff Drug Enforcement                          | 450  | -                       | -                   | 450                                      |
| Mortgage Certificate Fee                          | 86,807                                     | 9,685                   | 5,089               | 91,403                                   |
| Work Restitution                                  | 1,480                                      | -                       | -                   | 1,480                                    |
| County Roads & Improvements                       | 545,247                                    | 449                     | -                   | 545,696                                  |
| Health Special Events                             | 5,154                                      | -                       | 2,112               | 3,042                                    |
| Enhanced 911                                      | 243,811                                    | 229,171                 | 255,075             | 217,907                                  |
| Energy & Renew Federal Grant                      | 2,500                                      | -                       | -                   | 2,500                                    |
| County Clerk Preservation                         | 248,905                                    | 92,760                  | 44,510              | 297,155                                  |
| Sheriff Commissary                                | 65,888                                     | 116,582                 | 147,173             | 35,297                                   |
| CDBG Courthouse Renovations                       | 1  | -                       | -                   | 1  |
| GO Bond 2000                                      | 20,031                                     | 17                      | -                   | 20,048                                   |
| <b>Combined Total - Remaining Aggregate Funds</b> | <b>\$ 2,084,007</b>                        | <b>\$ 1,539,852</b>     | <b>\$ 1,334,539</b> | <b>\$ 2,289,320</b>                      |

**CARTER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**1. Budgetary Schedules**

The Comparative Schedules of Receipts, Expenditures, and Changes in Cash Balances—Budget and Actual—Budgetary Basis for the General Fund and the County Health Department Fund present comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Combined Statement of Receipts, Disbursements, and Changes in Cash Balances with Combining Information because of adopting certain aspects of the budgetary basis of accounting and the adjusting of encumbrances and outstanding warrants to their related budget year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in these funds. At the end of the year unencumbered appropriations lapse.

**2. Remaining County Funds**

Remaining aggregate funds as presented on the financial statement are as follows:

Sheriff Board of Prisoners – accounts for the monies received from the State of Oklahoma for the boarding and feeding of Department of Corrections' prisoners.

Assessor Revolving – accounts for the collection of fees for copies as restricted by state statute.

County Clerk Mechanic Liens – accounts for lien collections and disbursements as restricted by state statute.

Sheriff Drug Enforcement – accounts for the collection of the Sheriff's percentage of drug forfeitures and the disbursement of funds as restricted by state statute.

Mortgage Certificate Fee – accounts for the collection of fees by the Treasurer for mortgage tax certificates and the disbursement of funds as restricted by state statute.

Work Restitution – accounts for fines collected for tardiness at district court. Disbursements are restricted by order of the judge.

County Roads & Improvements – accounts for state grant monies received from the Oklahoma Department of Transportation and disbursements are for road and bridge projects.

Health Special Events – accounts for donations received to host special health events not funded by the County.

**CARTER COUNTY, OKLAHOMA  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Enhanced 911 – accounts for state grant funds received and fees collected for the purpose of implementing a 911 service.

Energy & Renew Federal Grant – accounts for monies collected from federal funds and disbursed for energy efficient windows for the courthouse and architectural fees.

County Clerk Preservation – accounts for fees collected for instruments filed in the County Clerk’s office as restricted by state statute for preservation of records.

Sheriff Commissary – accounts for monies received from inmates for purchases from the County’s commissary and disbursements as restricted by state statute.

CDBG Courthouse Renovations – accounts for grant monies received and disbursed as restricted by the grant agreement.

GO Bond 2000 – accounts for the excess proceeds for the sale of general obligation bonds for the Ardmore Development Authority. Disbursements may be made for the retirement of the bond obligation.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

TO THE OFFICERS OF  
CARTER COUNTY, OKLAHOMA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined total—all funds of the accompanying Combined Statement of Receipts, Disbursements, and Changes in Cash Balances of Carter County, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statement, which collectively comprises Carter County's basic financial statement, prepared using accounting practices prescribed or permitted by Oklahoma state law, and have issued our report thereon dated February 16, 2016.

Our report included an adverse opinion on the financial statement because the statement is prepared using accounting practices prescribed or permitted by Oklahoma state law, which is a basis of accounting other than accounting principles generally accepted in the United States of America. However, our report also included our opinion that the financial statement does present fairly, in all material respects, the receipts, disbursements, and changes in cash balances – regulatory basis of the County for the year ended June 30, 2014, on the basis of accounting prescribed by Oklahoma state law, described in Note 1.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered Carter County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Carter County's internal control. Accordingly, we do not express an opinion on the effectiveness of Carter County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We

consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness: 2014-1.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: 2014-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Carter County's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters regarding statutory compliance that we reported to the management of Carter County, which are included in Section 2 of the schedule of findings and responses contained in this report.

### **Carter County's Responses to Findings**

Carter County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Carter County's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is also a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.



GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

February 16, 2016

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**SECTION 1—Findings related to the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Finding 2014-1 - Inadequate County-Wide Controls (Repeat Finding)**

**Condition:** County-wide controls regarding Risk Assessment and Monitoring have not been designed.

**Cause of Condition:** Procedures have not been designed to address risks of the County.

**Effect of Condition:** This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the County design procedures to identify and address risks. OSAI also recommends that the County design monitoring procedures to assess the quality of performance over time. These procedures should be written policies and procedures and could be included in the County's policies and procedures handbook.

**Management Response:**

**BOCC Chairman, County Clerk, County Treasurer, County Assessor, County Sheriff and Court Clerk:** The Board of County Commissioners will work together with all County Officials towards assessing and identifying risks, and to develop a plan to monitor the County's internal controls to ensure that audit findings and other reviews are properly resolved.

**Criteria:** Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being met. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. County management is responsible for designing a county-wide internal control system comprised of Risk Assessment and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the County faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

**Finding 2014-2 - Written Disaster Recovery Plan (Repeat Finding)**

**Condition:** The offices of the County Assessor, County Sheriff, and the Board of County Commissioners do not have a written Disaster Recovery Plan. The Court Clerk has a Disaster Recovery Plan implemented in 2003; however, there is no evidence it has been updated since 2003.

**Cause of Condition:** Policies and procedures have not been designed and implemented to prepare a formal Disaster Recovery Plan.

**Effect of Condition:** The failure to have a formal Disaster Recovery Plan could result in the County being unable to function in the event of a disaster. The lack of a formal plan could cause significant problems in ensuring County business could continue uninterrupted. These conditions could also result in the loss of data, and the unreliability of data.

**Recommendation:** OSAI recommends that each office develop a Disaster Recovery Plan that addresses how critical information and systems within their offices would be restored in the event of a disaster. The plan at a minimum should include the following:

- Current names, addresses, contact numbers of key county personnel and their roles and responsibilities of information services function.
- Listing of contracted service providers.
- Information on location of key resources, including back-up site for recovery operating system, application, data files, operating manuals and program/system/user documentation.
- Alternative work location once IT resources are available.

**Management Response:**

**County Commissioner, District 1, 2, and 3:** We will work with our Officials to implement a plan to address how the County's critical information ad systems within each office would be restored in the event of a disaster.

**County Assessor & County Sheriff:** We are currently drafting a Disaster Recovery Plan.

**Court Clerk:** I will update the Disaster Recovery Plan annually and initial and date the document when the update is performed.

**Criteria:** An important aspect of internal control is the safeguarding of assets which includes adequate Disaster Recovery Plans. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention in a County being unable to function in the event of a disaster. Disaster Recovery Plan(s) are an integral part of county operations to ensure that business can be continued as usual in the

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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event of a disaster. Each office or the county as a whole should have a current, detailed Disaster Recovery Plan on file and should be aware of its content.

According to the standards of the Information Systems Audit and Control Association (COBIT, Deliver and Support 4), information services function management should ensure that a written Disaster Recovery Plan is documented and contains guidelines and instructions for the County to follow in the event of a disaster.

**SECTION 2—This section contains certain matters not required to be reported in accordance with *Government Auditing Standards*. However, we believe these matters are significant enough to bring to management’s attention. We recommend that management consider these matters and take appropriate corrective action.**

**Finding 2014-6 – Inadequate Internal Controls and Noncompliance Over Estimate of Needs General Fund (Repeat Finding)**

**Condition:** Upon review of the County’s Estimate of Needs for the fiscal year ending June 30, 2014, it was noted that the County does not budget for General Fund revenue other than ad valorem taxes.

**Cause of Condition:** Policies and procedures have not been designed to ensure that the Estimate of Needs is accurately completed.

**Effect of Condition:** This condition resulted in noncompliance with the state statute. It could also result in misstated financial reports, undetected errors, and misappropriation of funds.

**Recommendation:** OSAI recommends that the County review the Estimate of Needs prior to approval to ensure that all funds are accounted for and accurately presented. We further recommend the County budget for all re-occurring and probable revenue to determine if the General Fund still requires a 10 mill levy.

**Management Response:**

**County Commissioner District 1, 2, and 3:** This was an oversight and corrective measures will be taken.

**Criteria:** The adopted budget is an expression of public policy and financial intent and is a method of providing controls over that intent. Effective internal controls as they relate to government entities financial reporting should assist in fulfilling government’s duty to be publicly accountable and should enable users’ access to that accountability by demonstrating whether resources were obtained and used in accordance with the entity’s adopted budget.

Title 68 O.S. § 3002(A) states, Notwithstanding the provisions of the School District Budget Act, each board of county commissioners and the board of education of each school district,

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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shall, prior to October 1 of each year, make, in writing, a financial statement, showing the true fiscal condition of their respective political subdivisions as of the close of the previous fiscal year ended June 30<sup>th</sup>, and shall make a written itemized statement of estimated needs and probable income from all sources including ad valorem tax for the current fiscal year. Such financial statement shall be supported by schedules or exhibits showing, by classes, the amount of all receipts and disbursements, and shall be sworn to as being true and correct. The statement of estimated needs shall be itemized so as to show, by classes: first, the several amounts necessary for the current expenses of the political subdivision and each officer and department thereof as submitted in compliance with the provisions of Section 3004 of this title; second, the amount required by law to be provided for sinking fund purposes; third, the probable income that will be received from all sources, including interest income and ad valorem taxes; and shall be detailed in form and amount so as to disclose the several items for which the excise board is authorized and required, by this article, to approve estimates and make appropriations.

**Finding 2014-7 - Inadequate Internal Controls and Noncompliance Over the Inmate Trust Fund Checking Account and Sheriff Commissary Fund (Repeat Finding)**

**Condition:** An audit of the Inmate Trust Fund Checking Account and Sheriff Commissary Fund reflected the following:

- The Commissary Administrator performs all of the daily activity in the Inmate Trust Fund Checking Account such as retrieving funds from the commissary kiosk, issuing receipts, preparing and making the bank deposits, posting payments, preparing inmate reports and reconciling the bank statement.
- Inmate ledger balances are not reconciled to the bank statements.
- Expenditures are made from the Inmate Trust Fund Checking Account for purposes other than to the Sheriff Commissary Fund or refund to inmates.
- The Sheriff's office does not file an annual report for the Sheriff Commissary Fund with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

**Cause of Condition:** Policies and procedures have not been designed and implemented regarding the Inmate Trust Fund Checking Account and the Sheriff Commissary Fund.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes. In addition, without proper accounting and safeguarding of the Inmate Trust Fund Checking Account, there is an increased risk of misappropriation of funds.

**Recommendation:** OSAI recommends the following:

- Key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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- Inmate Trust Fund monies should be maintained in a manner that reflects each inmate's trust deposits, disbursements, and account balances. The inmate's ledger balances should be reconciled to the bank statements each month.
- Expenditures should be made from the Inmate Trust Fund Checking Account in accordance with 19 O.S. § 531 A.
- The Sheriff should file a report of the Commissary with the Board of County Commissioners by January 15<sup>th</sup>, of each year.

**Management Response:**

**County Sheriff:** We will implement compensating controls to mitigate the risks involved with a concentration of duties. Inmate Trust Fund checks will only be issued to refund monies to inmates or to transfer funds to the Sheriff Commissary Fund for inmate expenditures. We will work on completing and filing the commissary report with the BOCC by January 15<sup>th</sup> each year and reconcile the individual inmate's funds to the ledger.

**Criteria:** Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, no one individual should have the ability to have physical custody of assets, prepare deposits, make deposits, and sign off that deposits are completed. In addition, bank reconciliations should be performed each month and funds should be deposited daily.

Title 19 O.S. § 531 A. states in part, "The county sheriff may establish a checking account, to be designated the "Inmate Trust Checking Account." The county sheriff shall deposit all monies collected from inmates incarcerated in the county jail into this checking account and may write checks to the Sheriff's Commissary Account for purchases made by the inmate during his or her incarceration and to the inmate from unencumbered balances due the inmate upon his or her discharge."

Title 19 O.S. § 180.43 D. states in part, "The sheriff shall file an annual report on any said commissary under his or her operation no later than January 15 of each year."

**Finding 2014-8 – Inadequate Internal Controls and Noncompliance Over Fixed Assets and Consumable Inventories (Repeat Finding)**

**Condition:** Upon inquiry and observation of fixed assets and consumable inventories, the following weaknesses were noted:

- District 2 is not performing an annual inventory physical count.
- Fuel logs are not being reconciled by the Sheriff's Department.

**Cause of Condition:** Policies and procedures have not been adequately designed and implemented by all County offices/departments to ensure the accurate reporting of fixed assets and consumable inventory items.

**CARTER COUNTY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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**Effect of Condition:** These conditions resulted in noncompliance with state statutes. Opportunities for loss and misappropriation of county assets may be more likely to occur when the County does not have procedures in place to account for fixed assets. Additionally, when consumable inventory items are not adequately documented, the opportunity for the misappropriation and undetected errors, could result.

**Recommendation:** OSAI recommends the County comply with 19 O.S. § 178.1 by performing and documenting a periodic inventory of fixed assets. The verification should be performed by an individual independent of the fixed asset recordkeeping process. OSAI further recommends that fuel logs be maintained and reconciled monthly.

**Management Response:**

**County Commissioner District 2:** We will perform an annual inventory count and retain documentation.

**County Sheriff:** We will reconcile the fuel logs.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Title 19 O.S. § 178.1 requires the board of county commissioners in each county of this state to take or cause to be taken , an inventory of all working tools, apparatus, machinery and equipment.

Title 19 O.S. § 1502(A)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county used for maintenance for roads and bridges.

Title 19 O.S. § 1502(B)(1) requires a prescribed uniform identification system for all supplies, materials, and equipment of a county not used in the construction and maintenance for roads and bridges.





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